

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 AGR-10 AID-05 RSC-01

COME-00 TRSE-00 SWF-01 CIAE-00 DODE-00 NSAE-00 NSCE-00

SSO-00 USIE-00 INRE-00 CEA-01 FRB-01 H-02 INR-07

INT-05 L-02 LAB-03 NSC-05 PA-02 CIEP-02 SS-15 STR-04

TAR-01 PRS-01 SP-02 OMB-01 FEA-01 AF-10 ARA-10 EA-10

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TO AMEMBASSY OTTAWA IMMEDIATE

INFO USMISSION GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS PRIORITY

UNCLAS STATE 254106

SUBJECT: TEMPORARY QUOTAS ON CANADIAN LIVESTOCK ITEMS

REF: STATE 253249

1. THERE FOLLOWS FOR EMBASSY'S INFORMATION A SERIES OF
OF QUESTIONS AND ANSWERS DEVELOPED HERE FOR GUIDANCE IN
ANSWERING INQUIRIES CONCERNING THE US ACTIONS AGAINST
IMPORTS FROM CANADA OF BEEF AND VEAL, CATTLE, PORK AND
SWINE:

Q. WHY WAS THIS ACTION TAKEN?

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A. AS THE PRESIDENTIAL PROCLAMATION STATES, THE PURPOSE OF

THE ACTION IS TO BRING ABOUT A REMOVAL OF UNJUSTIFIABLE CANADIAN QUOTAS ON CATTLE, BEEF AND VEAL IMPORTED FROM THE US. THE CANADIAN QUOTAS WERE IMPLEMENTED LAST AUGUST 12, AND FOR A PERIOD OF ONE YEAR ALLOW IMPORTS FROM THE US OF ONLY 82,000-PLUS HEAD OF CATTLE AND 17.9 MILLION POUNDS OF BEEF AND VEAL, CONSIDERABLY BELOW WHAT THE US HAS BEEN SENDING TO CANADA RECENTLY.

Q. WHY ARE THE CANADIAN QUOTAS UNJUSTIFIED?

A. FOR SEVERAL REASONS: (A) WE OBJECT TO THE IMPOSITION OF QUOTAS ON BEEF AND CATTLE FROM THE US ON GENERAL TRADE POLICY GROUNDS, AND HAVE IN THE PAST YEAR ALSO PROTESTED RESTRICTIONS BY THE EC AND JAPAN; THESE WERE NOT MAJOR

MARKETS FOR US EXPORTS, HOWEVER, AS IS CANADA. (B) THE QUOTAS ARE UNDULY RESTRICTIVE, SINCE THEY REPRESENT LESS THAN ONE-THIRD OF WHAT THE US HAD BEEN SHIPPING IN A RECENT REPRESENTATIVE PERIOD; (C) THE US WAS NOT CONSULTED IN ADVANCE BEFORE THE QUOTAS WERE IMPOSED LAST AUGUST.

Q. UNDER WHAT AUTHORITY WAS THE ACTION TAKEN?

A. UNDER SECTION 252 (A) OF THE TRADE EXPANSION ACT OF 1962, WHICH PERMITS THE PRESIDENT TO RESTRICT IMPORTS IN ORDER TO BRING ABOUT REMOVAL OF UNJUSTIFIABLE RESTRICTIONS ON US EXPORTS TO OTHER COUNTRIES.

Q. HOW WERE THE US QUOTAS DETERMINED?

A. BY DETERMINING WHAT RECENT US EXPORTS TO CANADA OF BEEF AND VEAL HAVE BEEN, CALCULATING THE DAMAGE WHICH HAS BEEN DONE TO THAT TRADE BY THE CANADIAN QUOTAS, AND THEN RESTRICTING US IMPORTS FROM CANADA BY THE AMOUNT OF THE DAMAGE. WE ESTIMATE THE DAMAGE AT \$109 MILLION.

Q. WHY WAS THE US ACTION EXPANDED TO INCLUDE PORK AND HOGS, WHEN THE ORIGINAL CANADIAN RESTRICTIONS APPLIED ONLY TO BEEF AND CATTLE?

A. IT MUST BE KEPT IN MIND THAT OUR ACTION IS NOT A PUNITIVE ONE, INTENDED TO PUNISH THE CANADIAN BEEF AND CATTLE INDUSTRY AND ITS GOVERNMENT FOR RESTRICTING THE

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MARKET FOR BEEF AND CATTLE. OUR PURPOSE IS TO GAIN REMOVAL OF THE RESTRICTIONS. IN ORDER TO HAVE MAXIMUM EFFECTIVENESS FOR THIS PURPOSE, WE FELT IT WAS NECESSARY TO EXPAND OUR ACTION TO COVER RELATED AND COMPETITIVE PRODUCTS. THIS INTENTION WAS MADE CLEAR IN THE HEARINGS WHICH THE OFFICE OF THE SPECIAL TRADE REPRESENTATIVE HELD LATE LAST MONTH, WHICH INCLUDED DISCUSSION OF RESTRICTIONS ON PORK AND HOGS.

Q. WHY COULDN'T THIS QUESTION BE SETTLED AMICABLY THROUGH DIPLOMATIC CHANNELS?

A. THIS ACTION WAS TAKEN ONLY AS A LAST RESORT. WE HAVE BEEN DISCUSSING WITH THE CANADIANS THE QUESTION OF CANADIAN RESTRICTIONS ON US CATTLE AND BEEF IMPORTS FOR OVER A YEAR, BEGINNING WITH THE IMPOSITION OF AN IMPORT SURCHARGE BY THE CANADIANS BACK IN NOVEMBER OF LAST YEAR. THE CANADIANS LATER STOPPED ALL US EXPORTS IN APRIL OF THIS YEAR BY THEIR BAN ON DES, AND THEN WHEN WE HAD REACHED AGREEMENT ON A CERTIFICATION SYSTEM ON US EXPORTS, THEY REPLACED THE BAN WITH THE PRESENT QUOTA SYSTEM. THROUGHOUT THIS ENTIRE PERIOD WE HAVE BEEN IN FREQUENT CONTACT WITH THE CANADIANS, AND ON TWO SEPARATE

OCCASIONS--IN JULY AND SEPTEMBER OF THIS YEAR--SENT US NEGOTIATING TEAMS TO CANADA. NONE OF THESE EFFORTS SUCCEEDED. OUR PURPOSE REMAINS TO HAVE THE CANADIAN QUOTAS REMOVED; IF THE CANADIANS TAKE THIS ACTION, WE WILL OF COURSE REMOVE OUR OWN RESTRICTIONS.

Q. WON'T THIS ACTION TO RESTRICT IMPORTS OF MEAT ADD TO THE PRICE INFLATION OF FOOD IN THE UNITED STATES?

A. THE IMPORTS INVOLVED REPRESENT LESS THAN ONE-HALF OF ONE PERCENT OF US DOMESTIC CONSUMPTION. THE INFLATIONARY IMPACT WILL BE MINIMAL.

Q. WHY WERE THE QUOTAS SET RETROACTIVE TO AUGUST? ISN'T THAT PUNITIVE SINCE THE CANADIANS ARE ALLOWED SO LITTLE THEY WILL HAVE ALREADY FILLED THEIR QUOTA?

A. THE QUOTA PERIOD WAS SET TO COINCIDE WITH THE CANADIAN QUOTA PERIOD TO MAKE THE TWO ACTIONS PARALLEL. WE UNDERSTAND THAT THE CANADIANS HAVE NOT YET FILLED ANY OF THE

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QUOTAS BEING ESTABLISHED. INGERSOLL

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